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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

NO. 161

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

INDEPENDENT PNEUMATIC TOOL COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Summary of Reasons for Denial of Petition.

The petition for writ of certiorari should be denied for the following reasons:

1. The question of venue presented by the instant petition has already been settled adversely to petitioner by this Court in its earlier decisions in *Oklahoma Packing Co.* v. *Oklahoma Gas & Electric Co.*, 309 U. S. 4 (1940) and in *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165 (1939). These decisions were relied upon by the Court of Appeals below (R. 43) and by the District Court (R. 23) in holding that petitioner, by licensing to do business in the State of Illinois, had waived the provisions of general venue Section 51 (28 U. S. C. 112).

2. The decision of the Court below is not in conflict with the *final* decision of the Sixth Circuit Court of Appeals in *American Chemical Paint Co.* v. *Dow Chemical Paint Co.* The first opinion is reported at 161 Fed. (2d) 956 and the *final* opinion on rehearing reported at 164 Fed. (2d) 208.

3. The substantive rules of law of this Court in the *Neirbo* and *Oklahoma Packing* cases, followed by the Court below, are now incorporated in the express provisions of general venue Section 1391 of Title 28 of the new and revised Judicial Code which becomes effective on September 1, 1948. Therefore, no question of federal law or conflict between Courts of Appeals exist on the point here involved. It has already been settled by Congress as well as by this Court.

1.

THE VENUE QUESTION OF THIS PETITION HAS ALREADY BEEN DECIDED BY THIS COURT ADVERSELY TO PETITIONER.

When the complaint herein was filed on June 10, 1947, it had been well settled by rulings of this Court in *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165 (1939) and in *Oklahoma Packing Co.* v. *Oklahoma Gas & Electric Co.*, 309 U. S. 4 (1940), that the venue provisions of both portions of Section 51 (28 U. S. C. 112) of the old Judicial Code relating to civil actions are waived by licensing of a foreign corporation to do business in a state wherein suit is brought. The first portion of Section 51 provides:

> "no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is an inhabitant;"

and the second portion provides:

> "but where the jurisdiction is founded only on the fact that the action is between citizens of different States,

suit shall be brought only in the district of the residence of either the plaintiff or the defendant."

There is no dispute between petitioner (Br. 8) and respondent that at the time the complaint in the present Declaratory Judgment patent suit was filed, venue of the defendant petitioner was governed by Section 51 of the old Judicial Code (28 U. S. C. 112). There is also no dispute that jurisdiction of a federal court in a Declaratory Judgment patent suit arises under the patent laws and is not based upon diversity of citizenship. Hence the first portion of Section 51 controls venue in the case at bar. The various Courts of Appeals to whom these latter points of law have been presented for decision are in unanimous agreement. *Webster* v. *Society for Visual Education,* 83 Fed. (2d) 47 (C. C. A. 7, 1936); *Penn Electric Switch Co.* v. *United States Gauge Co.,* 129 Fed. (2d) 166 (C. C. A. 7, 1942); *Crosley Corporation* v. *Westinghouse Electric & Mfg. Co.,* 130 Fed. (2d) 474 (C. C. A. 3, 1942); *American Chemical Paint Co.* v. *Dow Chemical Paint Co.,* 161 Fed. (2d) 956, 164 Fed. (2d) 208 (C. C. A. 6, 1947); *E. I. duPont de Nemours & Co.* v. *Byrnes,* 101 Fed. (2d) 14 (C. C. A. 2, 1939).

Section 48 of the old Judicial Code (28 U. S. C. 109) is inapplicable since it pertains solely to "suits brought for infringement of letters patent" against a defendant infringer. A declaratory judgment suit seeking to have a patent declared invalid and not infringed is not a suit brought for infringement of letters patent.

In *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.,* 308 U. S. 165 (1939), the jurisdiction of the court was based upon diversity of citizenship but suit was not brought in the district of residence of either plaintiff or defendant as provided for by the second portion of Section 51. The defendant foreign corporation had registered to do business in the State of New York and had appointed an agent to

accept service of process. The Second Circuit Court of Appeals had affirmed an order of the District Court for the Southern District of New York setting aside service of process on the defendant and this ruling was appealed to this Court.

In *Oklahoma Packing Co.* v. *Oklahoma Gas & Electric Co.*, 309 U. S. 4 (1940), jurisdiction was not based upon diversity of citizenship but upon the fact that the suit involved the constitutionality of a certain order under the Fourteenth Amendment of the Constitution of the United States. As in the case at bar, it was strictly a question of federal law so that the first portion of Section 51, requiring suit in the district whereof defendant is an inhabitant, was applicable. The Tenth Circuit Court of Appeals affirmed the ruling of the District Court that the venue provisions of the first portion of Section 51 had been waived by registration of the defendant foreign corporation and its appointment of an agent to accept service in the State of Oklahoma. This ruling was likewise appealed to this Court.

Therefore, as clearly stated by Justice Frankfurter in the *Neirbo* case, 308 U. S. 165, 167, this Court took the cases on certiorari because of the conflict of views between the Courts of Appeals for the Second and Tenth Circuits. Both cases were argued before this Court on the same day, and upon decision thereof, this Court held in each of the cases that the defendant foreign corporation by registering to do business in the state where suit was brought had waived the venue provisions of Section 51.

Petitioner here erroneously contends, and so contended below, that the *Neirbo* doctrine should be limited to cases wherein federal jurisdiction is based only upon diversity of citizenship under the second portion of Section 51. Such contention is wholly lacking in merit for it is clear from the *Neirbo* case and from the *Oklahoma Packing* case, to

be discussed further presently, that the *Neirbo* doctrine should not be so limited but applies even to the first portion of Section 51.

In the *Neirbo* opinion, Justice Frankfurther, after reciting the conflict between the Second and Tenth circuits involving both portions of Section 51, expressly stated in its broadest aspects the issue involved in the *Neirbo* case, as follows:

> "The sole question in the case is whether §51 is satisfied by the designation by a foreign corporation of an agent for service of process, in conformity with the law of a state in which suit is brought against it in one of the federal courts for that state."

It appears to have been the intent of this Court in the *Neirbo* case to announce a broad doctrine of waiver of the entire Section 51. Otherwise, how could there have been a conflict between the views of the Court of Appeals of the Second and Tenth Circuits inasmuch as only the second portion of Section 51 was before the Second Circuit Court of Appeals and only the first portion of Section 51 was before the Tenth Circuit Court of Appeals?

The *Oklahoma Packing* case, 309 U. S. 4, as painstakingly pointed out by the District Court below (R. 28, 29, 30), conclusively negatives any such restriction of the *Neirbo* doctrine to only diversity cases. There jurisdiction was based upon a federal question of constitutionality and the venue provisions of the first portion of Section 51 were held to have been waived. Justice Frankfurter also wrote this opinion and stated (pp. 6, 7):

> "Since the case in part was in conflict with the second Circuit's decision in *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 103 F. 2d 765, and also presented novel aspects of important questions of federal law, we granted certiorari, 306 U. S. 629. • • • "

> "At the threshold we are met by the procedural objection, seasonably made, that Wilson & Co., a Delaware corporation, was improperly sued in the District Court of the Western District of Oklahoma. The objection is unavailable. Prior to this suit, Wilson & Co. had, agreeable to the laws of Oklahoma, designated an agent for service of process 'in any action in the State of Oklahoma.' Both courts below found this to be in fact a consent on Wilson & Co.'s part to be sued in the courts of Oklahoma upon causes of action arising in that state. The Federal District Court is, we hold, a court of Oklahoma within the scope of that consent, and for the reasons indicated in *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165; Wilson & Co. was amenable to suit in the Western District of Oklahoma."

The same rule of law is equally applicable to cases involving other questions of federal law, such as in the case at bar which is based upon the federal patent laws. The *Oklahoma Packing* case is thus decisive of the venue question presented by the present petition and therefore no unsettled question of federal law on this point exists.

Nowhere in its petition or its brief does petitioner make any attempt to discuss or to refresh this Court's recollection as to the facts and governing ruling of the *Oklahoma Packing* case. Petitioner merely cites the case by name on pages 3 and 7 of its brief and on page 11 makes reference to and quotes from the opinion only on the question of injunction. The *Oklahoma* case was relied upon by the District Court and the Court of Appeals below and was fully discussed both in the briefs and at the oral hearing before the Court of Appeals. This "absent treatment" of this Court's earlier controlling decision is not only significant but quite amazing in view of the fact that under Rule 38 of this Court a petition for writ of certiorari is directed to this Court's discretion and is not a matter of right. A full analysis of the most pertinent prior decisions

of this Court was certainly required of petitioner under the rule.

The Keasbey Case Is Not in Point.

Nor has petitioner been fair with this Court in its discussion of this Court's earlier decision involving Section 51 in *In Re Keasbey and Mattison Co.*, 160 U. S. 221 (1895), upon which case petitioner's whole fallacious argument as to Congressional intent and legislative history relative to Sections 51 and 48 appears to be based. Petitioner erroneously states (Br. 19) that this Court in the *Keasbey* case held:

> "that a foreign corporation could not be sued for trade-mark infringement in a state in which it was doing business even though it had registered to do business and appointed an agent for the service of process in that state."

We strenuously deny the correctness of this interpretation. On the contrary, we point out that in the *Keasbey* case the defendant had *not* registered under the New York statute *nor* was it licensed to do business in that state. It had *not* filed any paper designating any agent upon whom service of process could be made. That issue was *not* involved. The true fact, as shown in the opinion and statement of facts of that case, was that the corporation was only doing business in the state and had a general agent to represent it in the district. The case is, therefore, not in point here and merely holds that a foreign corporation will not waive venue under Section 51 only by doing business in the state.

The erroneousness of petitioner's interpretation of the *Keasbey* case is clearly borne out by the comment of Justice Frankfurter in the *Neirbo* case, 308 U. S. 165, in footnote 15 beginning on page 173. There he said:

"The decisive difference between the present case and *In Re Keasbey & Mattison Co.*, is that in the latter case the designation under state law which is the basis of consent had in fact not been made."

2.

THE DECISION OF THE COURT BELOW IS NOT IN CONFLICT WITH THE FINAL DECISION OF THE SIXTH CIRCUIT COURT OF APPEALS IN THE AMERICAN CHEMICAL CASE.

Point I of Petitioner's brief (Br. 8-10) is to the effect that the decision of the Court below is in conflict with the decision of the Sixth Circuit Court of Appeals in *American Chemical Paint Co.* v. *Dow Chemical Co.*, 161 Fed. (2d) 956, on rehearing 164 Fed. (2d) 208. This we deny. By an extremely incomplete discussion of that case and by quotation from the original but discarded opinion (161 Fed. (2d) 956) of that Court, petitioner has attempted to convey a false impression as to just what the Sixth Circuit Court of Appeals actually did decide in the final analysis on rehearing. It is respondent's position that the *final* decisions of the two Courts of Appeals are in full and complete accord.

In its *first* opinion reported at 161 Fed. (2d) 956, the Court of Appeals for the Sixth Circuit admittedly did hold that Section 51, and not Section 48 (28 U. S. C. A. 109), governed venue in a declaratory judgment patent suit and that the defendant foreign corporation by registering its agent for service of process in Michigan had not waived the first portion of Section 51 which provides that no suit shall be brought against a person in any other district than that whereof he is an inhabitant. It expressly held that the *Neirbo* rule was limited to diversity of citizenship cases. This decision was unanimous by three Judges.

In the petition for rehearing, it was pointed out that the defendant in the District Court had admitted that if Section 51 rather than Section 48 applied to the action, the ruling of the *Neirbo* case was controlling. The only venue point that was involved on the appeal, as far as the parties were initially concerned, was whether Section 51 or Section 48 applied. The parties had not concerned themselves with the precise point as to whether the *Neirbo* rule should be applied to the first portion of Section 51 covering non-diversity cases. The *Oklahoma Packing* case, 309 U. S. 4, evidently had not been brought to the court's attention as it is not referred to in its first opinion.

In overruling the petition for rehearing, the Sixth Circuit Court of Appeals handed down a supplemental opinion, 164 Fed. (2d) 208 which we refer to as the final decision. In the latter opinion, the majority of the court held that the admission by defendant in the District Court was not binding on the question of law and distinguished the *Oklahoma Packing* case on the ground that the Michigan statute as to the appointment of an agent for the service of process on a foreign corporation did not have the broad wording or effect of the Oklahoma statute. The Court, therefore, abandoned its earlier ruling that the *Neirbo* case was limited to diversity cases only. It accepted the ruling of this Supreme Court in the *Oklahoma Packing* case and distinguished from it on the basis of the restricted scope of the Michigan registration statute. While the Sixth Circuit Court of Appeals held to its original ruling that venue had not been waived, it did so on an entirely different ground. Thus, it is the law even in the Sixth Circuit that the provisions of the first portion of Section 51 may be waived if the wording of the state registration statute is in sufficiently broad language as to have that effect.

Furthermore, Judge Simons who dissented on rehearing, disagreed with the majority of that Court only on the

ground that he saw no substantial difference between the Oklahoma and Michigan statutes. His dissent, like the majority, was based upon interpretation and scope of the state statutes and not on the broad, but retracted, position stated in that Court's initial opinion.

Therefore, when the Court of Appeals for the Seventh Circuit held waiver of venue by the defendant foreign corporation in the case at bar, it was in effect holding that the Foreign Corporation Law of Illinois was of sufficiently broad scope to effect waiver. Its decision, thus, is in perfect harmony with the final decision of the Sixth Circuit Court of Appeals, the difference in ultimate holdings on the respective motions to dismiss resulting solely from the differences in the state statutes as interpreted by those Courts.

3.

THE DECISION OF THE COURT BELOW IS IN FULL ACCORD WITH THE PROVISIONS OF SECTION 1391 OF THE NEW AND REVISED JUDICIAL CODE (28 U.S.C.) EFFECTIVE SEPTEMBER 1, 1948, WHICH CODIFIES THIS COURT'S RULINGS IN THE NEIRBO AND OKLAHOMA PACKING CASES.

On September 1, 1948, the new and revised Judicial Code, Title 28, recently passed by the 80th Congress goes into effect. The revised Judicial Code, Title 28, was passed by Congress on June 16, 1948 and thereafter was approved by the President on June 25, 1948.

This Court is familiar with the origin and preparation of the newly revised Judicial Code. A Supreme Court Committee composed of the late Chief Justice Stone and Associate Justices Frankfurter and Douglas cooperated in the rewriting, revision and amendment of the old code. A Judicial Conference Committee, appointed by the late Chief Justice Stone and consisting of Judge Maris of the Court

of Appeals of the Third Circuit, Judge Galston of the Eastern District of New York and Judge Smith of the District of New Jersey, also collaborated with the committees of the House of Representatives engaged in the revision of the old Code, Title 28, as did other eminent judges and able lawyers.

On page 2043 of a recently issued volume entitled "Title 28, United States Code, Congressional Service, Pages 1487-2174, 80th Congress—2d Session" published by West Publishing Co. and Edward Thompson Co., it is noted that the old general venue Section 112 of Title 28 (Section 51) has been revised and rewritten in the new Judicial Code as Sections 1391, 1401, 1693 and 1695, and that old Section 109 of Title 28 (Section 48) dealing with patent infringement suits has been rewritten as Sections 1400, 1694. New Section 1391 of Title 28 is the only section having pertinency to the present venue question.

The new general venue Section 1391, which is based upon old Section 51 and is therefore applicable to declaratory judgment patent suits, is as follows:

"§1391. Venue generally

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

(d) An alien may be sued in any district."

Obviously, subsection (c) of Section 1391 expressly settles and answers the only question of law presented by the present petition, and there can be no doubt that after the effective date of the new Code all District Courts and Courts of Appeals will be governed thereby. Venue of foreign corporations is settled for the future. Under the express wording of the new code, any corporate patent owner will be amenable to service of process in a declaratory judgment patent suit brought against it by an alleged infringer in a District Court in any state in which the corporate patent owner is licensed to do business or is doing business. By licensing to do business or by actually doing business in a state, a foreign corporation is expressly stated to become a resident (waives venue) of a federal judicial district in that state for venue purposes, both in a civil action where federal jurisdiction is based on diversity of citizenship and in a civil action where federal jurisdiction is based not solely upon diversity of citizenship but upon other federal grounds.

Manifestly, Section 1391 is merely a codification of the rulings of this Court in its *Nierbo* and *Oklahoma Packing* decisions. It indicates approval by Congress of these decisions relied upon by the Court of Appeals below. The enactment by Congress of the new Code including the provisions of new Section 1391 is a complete answer to petitioner's labored interpretations and fallacious theories as to congressional intent and the legislative history of Sections 51 (28 U. S. C. 112) and 48 (28 U. S. C. 109) of the old Judicial Code, treated in Points III and IV of its brief.

It is thus manifest that there exists no "important question of federal law which has not been but should be settled by this Court" (Rule 38). If ever such a federal question has existed prior to September 1, 1948, the revised Judicial Code itself has settled it and further consideration and ruling by this Court is not required. The ruling below of

the Court of Appeals for the Seventh Circuit is in full conformity with the provisions of new Section 1391 of Title 28. Furthermore, if ever a conflict has existed prior to September 1, 1948 between the Courts of Appeals of the Sixth and Seventh Circuits on the point of law involved in the petition, the conflict likewise has been resolved by Section 1391 of the new Judicial Code.

4.

THE INJUNCTION SHOULD BE SUSTAINED.

The injunction against Chicago Pneumatic (petitioner) restraining it from further proceedings in the later filed patent infringement suit against Independent Pneumatic (respondent) in the District Court for the Northern District of Ohio on the same patents and involving the same issues, was properly granted by the District Court. The District Court below first acquired jurisdiction of the controversy between the parties and was entitled to retain it. The parties were the same and the issues were the same.

The issuance of the injunction was in conformity with the decision of this Court in *Kline* v. *Burke Construction Co.*, 260 U. S. 231, which decision has been unanimously followed by Courts of Appeals in the various circuits. *Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corporation,* 143 Fed. (2d) 1012 (C. C. A. 2, 1944), *Crosley Corporation* v. *Hazeltine Corporation,* 122 Fed. (2d) 925 (C. C. A. 3, 1941), and *Milwaukee Gas Specialty Co.* v. *Mercoid Corporation,* 104 Fed. (2d) 589 (C. C. A. 7, 1939).

Petitioner in its Point II attacks the granting of the injunction solely on the ground that by the injunction the Seventh Circuit Court of Appeals has compelled the Ohio District Court to follow the law of the Seventh Circuit contrary to the law of the Sixth Circuit. This contention is fallacious and without any legal or logical basis what-

soever. It just does not follow. In the first place, as has been shown above, the decisions in the Sixth and Seventh Circuits are not in conflict and the Sixth Circuit Court of Appeals has never ruled that waiver of venue would not result by registration of a foreign corporation under the Illinois statute. Furthermore, petitioner knows full well that even if it be assumed a conflict between circuits existed, 1) the law of the Sixth Circuit is not controlling on the Seventh Circuit Court of Appeals or its District Courts, 2) a District Judge in the Seventh Circuit in following the law of his circuit and of the Supreme Court does not violate the law of any other circuit, 3) and the decision of the Court below in no way compels the Ohio District Court to follow the law of the Seventh Circuit. Finally, regardless of what may have been the ruling of the Court of Appeals of the Sixth Circuit in the *American Chemical* Case, the District Courts of that, as well as other, circuits will be "compelled," after September 1, 1948, to follow Section 1391 of the revised Judicial Code. The Ohio District Court would merely be following the procedure expressly authorized by Congress.

CONCLUSION.

The decision of the Court below is in full and complete accord with earlier decisions of this Court and with the express provisions of the new and revised Judicial Code, and no unsettled question of federal law or conflict between circuits requiring settlement by this Court, exist. The petition for writ of certiorari should be denied.

Respectfully submitted,

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